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The screenshot shows a Microsoft Internet Explorer browser window displaying a Yahoo! search results page for the query "american airlines". The address bar shows the search URL. The page includes a search bar with the query, navigation links (Web, Images, Video, Local, Shopping), and a list of search results. The results include a "Yahoo! Shortcut" for American Airlines and a numbered list of search results. A sidebar on the right contains "SPONSOR RESULTS" for American Airlines, including links to the official site, discount tickets, and credit cards.

### Screenshot 3

Each of the Sponsor Results for the OTAs and MSEs in this screenshot<sup>5</sup> plainly identifies the advertiser's website in the green URL, and indicates—accurately—that the website sells or facilitates the sale of American Airlines tickets. American's entire case against Yahoo! is premised on the notion that advertisements such as these, from advertisers American authorizes to sell American Airlines tickets or provide American information, are confusing to users.

<sup>5</sup> See, e.g., Defs' MSJ App. 0235-0236, 0241 (RFA Nos. 24 (CheapTickets), 23 (Orbitz), and 34 (Cheapoair)). The screen shot also includes a Sponsor Result for a credit card company that partners with airlines. (Defs' MSJ App. 0438-0439 (Hasse Decl. ¶ 9).) American's complaint sweeps in advertisements for websites that relate to American Airlines but not to airline travel, but American does not claim damages associated with those websites. (See, e.g., Defs' MSJ App. 0657-0658 (Slottje Decl. ¶¶ 8, 9); see *supra*, IV.B.2 (discussing advertisements keyed to "American Airlines Center").

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Yahoo! has collected and produced to American data regarding each of the Sponsor Results, from December 2002 to May 2009,<sup>6</sup> that were: (1) triggered by searches or bidded keywords comprising or including one of the nine American trademarks or approximately 180 other terms that American contends are similar to those trademarks;<sup>7</sup> and (2) clicked by Internet users. (Defs' MSJ App. 0660 (Cameron Decl. ¶ 3).) In total, there were almost twenty million such Sponsor Results for the entire available period. (Defs' MSJ App. 0660-0661 (Cameron Decl. ¶ 4.) The chart below shows the top six advertisers whose Sponsor Results were displayed to and clicked by users who had conducted searches on the American trademarks or allegedly related terms. (Defs' MSJ App. 0655 (Slottje Decl. ¶¶ 3-4).) For each advertiser, the number of clicked Sponsor Results is shown. (*Id.*)

Advertiser	Clicks		
	Grand Total	Before 2007	2007 to 2009
American Airlines (www.AA.com)	8,928,232	2,506,440	6,421,792
American Eagle Outfitters (www.ae.com)	3,331,688	2,040,397	1,291,291
Orbitz (www.orbitz.com)	1,453,564	1,446,142	7,422
Air Travel Discounts (www.cheap-airline-tickets.us)	924,739	922,149	2,590
Expedia (www.expedia.com)	817,760	816,250	1,510
Travelocity (www.travelocity.com)	612,563	590,776	21,787

The top six advertisers listed above were responsible for roughly 81 percent of the clicked Sponsor Results triggered by the American trademarks and purportedly similar terms.

(Defs' MSJ App. 0657 (Slottje Decl. ¶ 5).) Almost two-thirds of the approximately 19.73

<sup>6</sup> Pursuant to the Court's Order of September 11, 2009, Yahoo! is currently restoring data from back-up tapes for the months of February 2007 to September 2007. (Defs' MSJ App. 0660-0661 (Cameron Decl. ¶ 4).)

<sup>7</sup> American provided Yahoo! with a list of approximately 180 terms that it contends are confusingly similar to the nine American trademarks. (Defs' MSJ App. 0684-0687 (May 4, 2009 Berg letter, Ex. B).)

million clicks were on American's Sponsor Results (45% of the total) or on the clothing company American Eagle Outfitters' Sponsor Results (17% of the total). American does not challenge its own advertisements, of course, nor those of American Eagle Outfitters, which was bidding on its own brand term, "American Eagle," the name of American's regional airline and an alleged American registered trademark (FAC ¶ 22).

American does challenge the other four advertisers in the top six chart. Each of them—Orbitz, Expedia, Travelocity and Air Travel Discounts—is an OTA. Throughout the relevant time period they were American's agents authorized under the ARC Agreement to book travelers on American Airlines. (Defs' MSJ App. 0235-0236, 0242 (RFAs Nos. 23 (Orbitz), 26 (Expedia), 25 (Travelocity) and 36 (Air Travel Discounts/ www.cheap-airline-tickets.us); see also Defs' MSJ App. 0056 , 0059 (6/4 Curry Depo. at 24:3-14; 27:4-28:3 (regarding Orbitz, Expedia, and Travelocity)).) These four advertisers together account for about half of the clicks that American accuses in this case. (Defs' MSJ App. 0657 (Slottje Decl. ¶ 5).)

Like the four largest advertisers, almost all of the other advertisers sell or facilitate the sale of American Airlines travel, or offer other services pertaining to the American keywords. (*Id.*) The other advertisers are just smaller. The next largest had less than half as many clicks as Travelocity, and yielded only a fraction of the revenue for Yahoo!. Only one airline competitor had a substantial number of Sponsor Results displayed in response to the challenged searches, and even American must agree that those advertisements do not infringe. America West Airlines bids on its own trademark and on terms much like it, such as "American West Airlines," (added italic for emphasis) to help Internet users find the America West website. (Defs' MSJ App. 0657 (Slottje Decl. ¶ 6).) Aside from America West, however, less than 1 percent of the allegedly infringing Sponsor Results came from American's competitors in the airline business. (*Id.*) As

explained above, Yahoo!'s trademark policy does not permit advertisers to bid on a competitor's trademarks. At Yahoo! (unlike its competitors), United Airlines, for example, may not bid on the keyword "American Airlines" or on other American trademarks. (Defs' MSJ App. 0293-0295 (Pann Decl. Ex. A).)

There is a simple explanation for the dramatic fall-off in advertising shown in the chart after 2006. In December 2006, American issued an addendum to the ARC Agreement ("ARC Addendum") that governs its relationship with its travel agents, including OTAs. The ARC Addendum for the first time expressly prohibited OTAs—as a matter of contract—from bidding on American's trademarks as keywords in search engine advertising. (Defs' MSJ App. 0226-0231 (Def. Depo. Ex. 4); 0107 (6/4 Curry Depo. at 142:12-18); 0040-0042 (Cush Depo at 153:22-155:7).) Once word got around about the ARC Addendum, it had a huge impact on the volume of allegedly infringing Sponsor Results. In fact, ultimately, the largest OTAs (Orbitz, Expedia, Travelocity, Priceline, Hot Wire, and CheapTickets) promised American that they would no longer bid on American's trademarks as keywords. (Defs' MSJ App. 0118-0119 (6/4 Curry Depo. at 226:10-227:11); 0657 (Slottje Decl. ¶ 8).)

As a result of the ARC Addendum, Yahoo! searches conducted today on the term "American Airlines" or other American trademarks are likely to yield the results shown in Screenshot 2 (in which the only Sponsor Result is American's own advertisement) or even Screenshot 1 (with no Sponsor Results), rather than Screenshot 3. American has itself put a stop to the bidding practices of which it complains, at least for the bidding of the largest advertisers, its authorized OTAs. Yet it is sales made by these same authorized OTAs, in the period before the ARC Addendum went into effect, that give rise to the "lost profits" damages that American now seeks to collect from Yahoo! (Defs' MSJ App. 0657 (Slottje Decl. ¶ 7).)

### III. SUMMARY JUDGMENT STANDARD

Summary judgment should be granted on all or any part of a claim for which there is no genuine issue of material fact and for which the moving party is entitled to judgment as a matter of law. Fed. R. Civ. Proc. 56(c). The moving party has the initial burden of showing that there is no genuine issue of material fact; once the moving party has met its burden, the non-moving party must set forth specific facts showing that there is a genuine issue for trial. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 256 (1986). “Mere conclusory allegations” are insufficient to defeat a motion for summary judgment. *Topalian v. Ehrman*, 954 F.2d 1125, 1131 (5th Cir. 1992). Indeed, if the evidence is such that “no reasonable juror could find for the nonmovant, then summary judgment is warranted.” *Scott Fetzer Co. v. House of Vacuums Inc.*, 381 F.3d 477, 483 (5th Cir. 2004) (affirming summary judgment on Lanham Act and Texas law claims where advertisement’s use of a trademark was nominative fair use).

### IV. ARGUMENT

American has made a business choice to use online travel agents to sell American’s plane tickets. While certain other airlines sell *all* of their tickets directly to consumers, American sells tickets both directly *and* through OTAs. Similarly, American has made a business choice to supply fare information to MSEs in order to drive traffic to its own website. Nonetheless, American now contends in this case that U.S. trademark law forbids these same companies and their websites from placing advertisements on Yahoo!’s search engine to truthfully tell the public that they offer American tickets or fare information. American seeks to hold Yahoo! directly and contributorily liable for allowing those advertisements to be displayed. Essentially, American is claiming that it alone has the exclusive right under trademark law to display advertisements on the Yahoo! search results page when an Internet user searches on American’s trademarks. U.S. trademark law does not confer such a monopoly on trademark owners, nor does it prohibit

authorized ticket sellers or legitimate information providers from truthfully advertising what they offer. American's attempt to stifle this advertising, limit consumer choice and restrict the operation of Yahoo!'s search engine must, accordingly, fail as a matter of law.

**A. Yahoo!'s Sponsored Search Advertising Program Does Not Directly Infringe American's Marks or Falsely Represent the Advertised Airline Travel**

American alleges that Yahoo! directly infringes American's marks and falsely represents the airline travel advertised in its Sponsor Results, in violation of Sections 32(1) and 43(a) of the Lanham Act, 15 U.S.C. §§ 1114(1), 1125(a). (FAC ¶¶ 91-101.) American challenges two aspects of Yahoo!'s Sponsored Search program. Yahoo! is alleged to infringe American's marks by (1) using them, or words like them, to trigger the display on Yahoo!'s search results page of third-party advertisements in response to user searches on the American marks, and (2) allowing the inclusion of American's marks in the text of those third-party advertisements. (*Id.*)

American's allegations go to the basic structure of Yahoo!'s Sponsored Search program, and they fail as a matter of law. Yahoo! has designed its program to make only nominative fair use of American's marks.

**1. Nominative Fair Use Is Not Infringement or False Representation**

Nominative fair use of another's trademark does not violate the Lanham Act. It is a basic principle of trademark law that "one can use another's mark truthfully to identify [the markholder's] goods or services." *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 545 (5th Cir. 1998). In particular, those who sell a product or service are entitled to use the associated trademark to identify what they are selling. *Fetzer*, 381 F.3d at 484 (House of Vacuums may use KIRBY mark to advertise that it sells new KIRBY vacuum cleaners); *Matrix Essentials, Inc. v. Emporium Drug Mart, Inc.*, 988 F.2d 587, 590 (5th Cir. 1993) (citation omitted) ("[T]rademark law does not apply to the sale of genuine goods bearing a true mark . . .").

In assessing nominative fair use, the Court must consider whether the defendant is using “only use so much of the mark as necessary to identify the product or service” and whether the defendant is doing “anything that suggests affiliation, sponsorship, or endorsement by the markholder.” *Pebble Beach* at 546. Relevant factors may include: “(1) the type of mark allegedly infringed, (2) the similarity between the two marks, (3) the similarity of the products or services, (4) the identity of the retail outlets and purchasers, (5) the identity of the advertising media used, (6) the defendant’s intent, and (7) any evidence of actual confusion.” *Pebble Beach*, 155 F.3d at 543; *cf. Am. Rice, Inc. v. Producers Rice Mill, Inc.*, 518 F.3d 321, 329 (5th Cir. 2008) (slightly different formulation and an additional factor). “No single factor is dispositive,” and “a positive finding among a majority of” these so-called “digits of confusion” does not mean that confusion is likely. *Pebble Beach*, 518 F.3d at 543, 546. In a nominative fair use case especially, the traditional digits of confusion must be flexibly applied to avoid giving inconsistent results and “inadvertently lowering the standard of confusion.” *Fetzer*, 381 F.3d at 485-86; *see also Pebble Beach*, 155 F.3d at 547. The same legal standard applies to false representation claims brought under the Lanham Act. *Fetzer*, 381 F.3d at 483; *Two Pesos v. Taco Cabana*, 505 U.S. 763, 781 (1992).

Where material facts are undisputed, the question whether an advertisement is a nominative fair use may be appropriately determined on summary judgment. *See Fetzer*, 381 F.3d at 488 (defendant entitled to summary judgment because “no reasonable jury could conclude that [a] yellow pages ad creates a likelihood of confusion”).

**2. Using a Trademarked Term to Trigger the Display of Advertisements for a Website That Sells or Facilitates the Sale of a Trademarked Product is Nominative Fair Use As a Matter of Law**

The material facts are undisputed as to American’s first allegation against Yahoo!—that Yahoo! uses terms that incorporate or resemble American’s marks as keyword triggers for

displaying third-party advertisements. (FAC ¶ 93.) Yahoo! does not dispute that it selects advertisements on this basis. Yahoo!'s Exact Match program selects for display Sponsor Result advertisements that have the same keyword as the Internet user's search term, and the Advanced Match program selects additional advertisements whose keywords suggest they, too, are relevant. Pursuant to Yahoo!'s trademark policy, the advertisements displayed as a result are for websites that sell or facilitate the sale of American Airlines-branded products. (Defs' MSJ App. 0293-0295 (Pann Decl. Exh. A).) This useful, lawful advertising is a nominative fair use.<sup>8</sup>

Several recent cases in district courts around the country, including in the Northern District of Texas, have examined this precise issue and reached the same conclusion. These cases hold as a matter of law that the practice of using trademarked terms as keywords to trigger advertisements on Internet search engines (specifically, on Yahoo! and Google) does not violate the Lanham Act, where the advertisers sell the trademarked product and the text of their advertisement is not misleading. *See, e.g., Tiffany Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 501 (S.D.N.Y. 2008); *Designer Skin, LLC v. S & L Vitamins, Inc.*, 560 F. Supp. 2d 811, 819-20 (D. Ariz. 2008); *Mary Kay, Inc. v. Weber*, 601 F. Supp. 2d 839, 855-56 (N.D. Tex. 2009). The cases address the same advertising medium at issue in this case (which is the fifth "digit of confusion"), and because they are consistent with Fifth Circuit law as set forth in cases such as *Fetzer*, they are dispositive here.

In 2004, the jeweler Tiffany sued eBay, the online auction site, for alleged trademark infringement arising from sales by eBay's users of counterfeit Tiffany jewelry. *Tiffany*,

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<sup>8</sup> This is true regardless of whether the advertiser used Yahoo!'s Keyword Selector Tool to assist it in determining which keywords to bid on. The Keyword Selector Tool suggests to advertisers a variety of different keywords on which they may bid. (Defs' MSJ App. 00291 (Pann Decl. ¶ 8).)



576 F. Supp. 2d at 470. The evidence showed that authentic Tiffany jewelry was also sold on eBay. *Id.* at 487. Tiffany alleged, *inter alia*, that eBay contributed to the infringement of Tiffany's trademarks by purchasing "sponsored link advertisements on Yahoo! and Google advertising the availability of Tiffany items on eBay." *Id.* at 480. Tiffany sought to hold eBay liable for the search engine advertisements. *Id.* at 469. The court held that "eBay's use of Tiffany's trademarks in its advertising, on its homepage, and *in sponsored links purchased through Yahoo!* and Google, is a protected, nominative fair use of the marks." *Id.* (emphasis added).

In *Designer Skin* another district court reached the same conclusion, awarding defendant summary judgment as a result. Designer Skin, a manufacturer of indoor tanning products, sued an Internet reseller of Designer Skin's products for trademark infringement. *Designer Skin*, 560 F. Supp. 2d at 815. Designer Skin complained that the unauthorized retailer, called S & L Vitamins, was using Designer Skin's trademarks as keywords to advertise on search engines, allegedly creating consumer confusion. *Id.* at 816. The court granted defendant summary judgment of non-infringement because S & L's keyword advertisements "accurately describe the contents of its websites" and thus use Designer Skin's trademark in a manner that does not cause confusion. *Id.* at 820. The court rejected Designer Skin's argument that confusion would result from the mere fact that S & L used Designer Skin's trademarks as search-engine keywords. *Id.* at 818-819. It also rejected the related argument that confusion would result from the occasional appearance of S & L's advertisement at the top of the search results page. *Id.* at 819; *see also* Defs' MSJ App. 0439, 0649-0651 (Hasse Decl. ¶ 12, Ex. G (recommending that sponsored search results be clearly delineated from non-paid listings, such as by segregating them on the page and presenting them with terms that are easy for consumers to understand)).

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Earlier this year, relying on the decisions in *Tiffany* and *Designer Skin*, Judge Fish of the Northern District of Texas also found that keyword advertising on Internet search engines did not, as such, violate the Lanham Act. *Mary Kay*, 601 F. Supp. 2d at 856-57. Mary Kay, a manufacturer and distributor of cosmetics, brought a trademark infringement suit against an unauthorized reseller of authentic Mary Kay cosmetics who advertised over a website called “touchofpinkcosmetics.com.” *Id.* at 845-46. Mary Kay alleged that the website owner infringed Mary Kay’s trademark by purchasing sponsored link advertisements on Google, advertisements triggered by and containing the trademarked term “Mary Kay.” *Id.* at 855. Mary Kay argued that these advertisements created a likelihood of confusion as to source. *Id.* Judge Fish disagreed.

As a matter of law, Judge Fish concluded that as long as the resulting advertisement conveyed information fairly, there was no trademark infringement. Expressly following the holding of *Tiffany* on this point, he reasoned:

The [nominative] fair use doctrine allows second hand sellers to inform customers that it sells a mark holder’s product so long as it conveys the information “fairly,” *i.e.*, in a way that uses no more of the mark than necessary to identify the product, and does not suggest affiliation or sponsorship. The logical extension of that rule is to allow second hand sellers to *advertise* – even through the Internet – “fairly,” as well.

*Id.* at 855-56 (citation omitted; emphasis in original). As for the idea that displaying an advertisement in response to a user’s search on a trademarked term confuses the Internet user as to whether there is some affiliation between the trademark owner and the advertiser, Judge Fish rejected this. *Id.* at 856. This argument “stretches the legal concept of affiliation too far,” he concluded. *Id.*

Although Judge Fish’s analysis was squarely grounded in Fifth Circuit law, his opinion also recognizes important policy considerations. In language particularly appropriate to this

case, Judge Fish cautioned that “the law will destroy the valuable resource that search engines have become if it prevents those search engines from doing what they are designed to do: present users with the information they seek as well as related information the user may also find helpful or interesting.” *Id.*; see also *Designer Skin*, 560 F. Supp. 2d at 819 n.7 (“[I]f this guileless, informative use of trademarks . . . as search-engine keywords constituted initial interest confusion, then trademark law would be (to the extent it is not already) in the unenviable position of stymying access to the world of goods and services lawfully available on the internet.”). The present litigation risks destroying the valuable resources that search engines have become, just as Judge Fish warned. American seeks to eliminate all advertisements other than its own whenever an Internet user seeks information about “American Airlines” or other American products or services. See FAC ¶ 93. American thus seeks to deprive users of information regarding legitimate websites where American’s tickets can be lawfully purchased.

**3. Using a Trademarked Term in the Text of an Advertisement for a Website That Sells or Facilitates the Sale of a Trademarked Product Is, Without More, Nominative Fair Use As a Matter of Law**

The material facts are also undisputed as to American’s allegation that Yahoo! violates the Lanham Act by having its Sponsored Search advertisers use the relevant keyword in their advertisements, even when that keyword is an American Airlines trademark. (FAC ¶ 93.) Yahoo! does not dispute that it directs advertisers who bid on a keyword that is a third party’s trademark to use that keyword somewhere in their advertisement, so as to inform the Internet user of the relevance of the advertisement. (Defs’ MSJ App. 0290-291, 293-0295 (Pann Decl. ¶¶ 5, 7, Exh. A).) Once again, however, such use of a trademarked term is proper in this context. As a matter of law in the Fifth Circuit, an advertiser may use a trademarked term to advertise the fact that it sells the trademarked product. *Fetzer*, 381 F.3d at 484. Thus, advertisers in Yahoo!’s Sponsored Search program may appropriately use “American Airlines” or similar terms in their

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advertisements, where their websites sell or facilitate the sale of American Airlines travel.

*Accord Tiffany*, 576 F. Supp. 2d at 497 (“mere use of a trademarked term to describe something is not enough to suggest sponsorship or endorsement”).

Yahoo! expressly requires that any Sponsored Search advertisement that uses a trademark does so appropriately. “The advertiser’s title and description should not be written in a way that creates the impression that the advertiser is an authorized reseller unless the trademark owner has in fact designated the advertiser as an authorized reseller,” Yahoo! tells its advertisers. (Defs’ MSJ App. 0293-0295 (Pann Decl. Ex. A).) This directive illustrates Yahoo!’s intent that its Sponsored Search advertisers “not violate the trademark rights of others.” (*Id.*) Moreover, Yahoo! devotes considerable resources to enforcing this policy (*see supra*, section II.D), and achieves from its advertisers substantial compliance. (*See infra*, Section IV.B.1). A defendant’s intent is one of the “digits of confusion” that the Fifth Circuit sometimes applies, *see Fetzer*, 381 F.3d at 485-86, and this factor here corroborates that Yahoo! does not, by the nature of its program, confuse consumers.

\* \* \* \*

In sum, American fails in both of its attempts to ascribe structural defects to Yahoo!’s Sponsored Search program. Yahoo! does not infringe American’s trademarks when it uses trademarked terms to select advertisements for display, and Yahoo! does not infringe when it directs advertisers to use search terms (even trademarked terms) in the text of their advertisements to accurately describe products sold on the advertisers’ website. Summary judgment in Yahoo’s favor is accordingly appropriate with regard to Count I (direct infringement under the Lanham Act) and Count IV (false representation under the Lanham Act).

**B. Yahoo! Is Not Liable as a Contributory or Vicarious Infringer For The Advertisements Of Its Customers**

American alleges infringement with respect to *all* of Yahoo!'s Sponsored Search results triggered by the keyword "American Airlines" (or similar terms related to American's marks), except for advertisements that American Airlines itself has placed. (FAC ¶ 93.) American does not distinguish among advertisements.

American's claim is thus so broad that no reasonable jury could accept it. Even the advertisements in the first screen shot that American chose to feature in its complaint (*see* FAC ¶ 66) are protected as a matter of law by the doctrine of nominative fair use. A review of the advertising copy confirms this fact. Moreover, the large number of advertisements placed by American's authorized agents—Orbitz, Expedia, Travelocity, and the other agents that American has appointed—are necessarily nominative fair use. The OTAs' advertisements do not confuse consumers into believing that the OTAs are affiliated with or endorsed by American Airlines—these OTAs *are* American Airlines' authorized agents. Because these two sets of Sponsored Search results are non-infringing, American's claim, as the company itself has framed the action, fails as a matter of law. Yahoo! is not liable as a contributory or vicarious infringer because no reasonable jury could accept American's theory that infringement on this scale occurred.

Yahoo! is also not liable as a contributory or vicarious infringer because both theories of secondary liability require additional elements that American cannot prove.

**1. American's Claims Must Fail Because the Sponsored Results It Complains Of Are Non-Infringing**

American contends that all of the advertisements purchased by almost all of Yahoo!'s Sponsored Search customers infringe, if the advertisements are displayed as a result of keywords related to American's marks. There are a few advertisers whose Sponsored Search results American does not accuse. It does not mind its own advertisements, or those of American Eagle

Outfitters or the owners of websites that sell tickets at American Airlines Center, for example. *See* Defs' MSJ App. 0657 (Slottje Decl. ¶ 8.) But American's complaint alleges generally that infringement occurs when third-party advertisers use American's marks in their Sponsor Result advertisements. (FAC ¶ 105). American's responses to Yahoo!'s interrogatories likewise speak in generalities about Yahoo!'s advertisers and their Sponsor Result advertisements. *See, e.g.*, Defs' MSJ App. 0719-0726 (American Airlines' Supplemental Responses to First Set of Interrogatories, Response 9); 0730-0731 (American Airlines' Responses to Second Set of Interrogatories, Response No. 18.) Even American's expert who purports to analyze the likelihood of confusion as a result of Yahoo!'s Sponsored Search program does so without citing even a single, specific Sponsored Search advertisement. He opines instead about the structure and functioning of Yahoo!'s program generally.

In short, American makes a global assault on the advertisements in Yahoo!'s Sponsored Search program. American does not attempt to distinguish among advertisements based on the language in them, or on any other feature. *See* Defs' MSJ App. 0730-0733 (Response to Interrogatory No. 18; listing Yahoo!'s trademark policy in response to Interrogatory No. 19; and second paragraph of response to Interrogatory No. 20). It does not critique specific advertisements, or even representative advertisements. Because American ignores the specific context of particular advertisements, its infringement claims fail. Only by analyzing the language and other details of an advertisement can the finder of fact determine whether an advertisement infringes another's mark. *See Fetzer*, 381 F.3d at 486-87. Because American does not engage in this analysis, Yahoo! is entitled to summary judgment as a matter of law.

Moreover, a review of specific Sponsored Results reveals that these advertisements are non-infringing as a matter of law. Below we consider a set of Sponsor Results that American

Airline itself has chosen as illustrative of its infringement allegations. In the very first screen shot of its complaint, American reprints a set of Sponsor Results. (FAC ¶ 66.) As a matter of law, none of these advertisements infringes American's marks. That this should be true for the Sponsor Results that American itself has chosen as exemplary of its allegations is further evidence that American's infringement claims must fail.

**2. Sponsor Results American Features in Its Complaint Do Not Infringe, as a Matter of Law**

The accused Sponsor Results were generally simple in content and form. They included a title, a short description of the product offered, and the URL of the advertiser's website. The screenshot excerpt below is one of the accused Sponsor Results in Plaintiff's First Amended Complaint:

**Discount American Airline**  
**Tickets**  
Sort flights by price, departure time,  
duration and airline at Orbitz.  
[www.orbitz.com](http://www.orbitz.com)

(FAC, ¶ 66.) Representative of the advertisements at issue in this case, this Sponsor Result was placed with Yahoo! by the largest of the allegedly infringing advertisers.

Analyzed under the legal standards articulated by the Fifth Circuit, this advertisement is non-infringing as a matter of law. The Sponsor Result is not likely to confuse Internet users as to its source or the source of the advertised air transport services, and it does not misleadingly suggest affiliation, sponsorship, or endorsement by American Airlines. *See Pebble Beach*, 155 F.3d at 546; *Fetzer*, 381 F.3d at 483. American Airlines is clearly the carrier whose tickets Orbitz is advertising, and the source of the advertisement is clearly Orbitz. Orbitz is identified by the URL of its website – “www.orbitz.com.” The address is rendered especially prominent due to its green color, a typical feature in Yahoo! Sponsor Results. Orbitz is also identified in

the description portion of the Sponsor Result – “Sort flights by price, departure time, duration and airline *at Orbitz*.”

Courts have acknowledged the importance of URLs in sponsored result advertisements to identifying the source of the advertisement and avoiding consumer confusion. *See Designer Skin*, 560 F. Supp. 2d at 819. Where, as here, a search engine advertisement specifies a domain name that bears no resemblance to the name of the trademark holder or its domain name, there is as a matter of law no confusion. *Id.* In *Designer Skin*, the district court granted summary judgment for defendant on this ground. No Internet user beyond “the naïve few” would believe that the accused advertisements were affiliated with Designer Skin, given that the domain names in the advertisements (“www.thesupplenet.com” and “www.bodysourceonline.com”) bore no resemblance to “Designer Skin” or its domain name (“www.designerskin.com”), the court found. *Id.* Likewise here, “www.orbitz.com” cannot be confused with “American Airlines” or its domain name, “AA.com.”

Not only does the Sponsor Result for Orbitz not confuse because its source is clearly stated, but the advertisement uses only so much of American’s trademark as is necessary to identify the products or services being offered (*i.e.*, American Airlines travel). *See Pebble Beach*, 155 F.3d at 546. The advertisement uses only the words “American Airlines.” It does not use American’s royal blue and red colors, nor its logo or any other design features of the American Airlines trademarks. Courts have found as a matter of law that such limited usage meets the standard of nominative fair. *See Tiffany*, 576 F. Supp. 2d at 470 (citing *Playboy Enterprises, Inc. v. Welles*, 279 F.3d 796, 802 (9th Cir. 2002)). Indeed, it is hard to imagine how Orbitz could without using the words “American Airlines” inform consumers that American was one of the brands of travel that one could book at Orbitz’s website .



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Below are the remaining travel-related Sponsor Results from the first screen shot in the First Amended Complaint, to illustrate that the same features found in the Orbitz advertisement prevent these other Yahoo! advertisements from confusing consumers. These advertisements are similar in form and content to the Orbitz advertisement. Each has a simple structure consisting of a title, short description, and URL. Each uses only the plain text of the term "American Airlines" to identify the tickets being offered. Each identifies the source of the advertisement through the green-highlighted URL, using a website address that bears no resemblance to "American Airlines" or "AA.com." And most of the advertisements further reference the advertiser in the title or description of the advertisement.

**American Airlines Ticket at CheapTickets**

**www.cheaptickets.com** - Find great deals from all your favorite carriers at CheapTickets.

**Cheap American Airline Tickets**

**www.kayak.com** - Find cheap airfare deals on American Airlines at Kayak.com.

**Discount American Airlines Flights**

**www.bookingbuddy.com** - Compare really cheap American airfare from all major travel providers.

**American Air Line, Hot Travel Deals**

**www.cheapoair.com** - Looking for cheap flights? Check Cheapoair.com for the latest cheap airfares.

**Book Cheap Tickets on  
American Airlines**

Do-it-yourself online booking. Easy  
to use site with low service fees.  
**www.globe-travels.com**

(FAC ¶ 66.) Thus, these advertisements are, like the Orbitz Sponsor Result, non-infringing because they make nominative fair use of American Airlines' mark.

Although most of the advertisements accused in the First Amended Complaint are for airline travel, those that use American's marks in other contexts are also clearly non-infringing.

For example, American accuses Yahoo! of displaying advertisements that infringe the trademark “American Airlines Center.” (FAC ¶ 69.) “American Airlines Center” is the name of a sports and concert arena in Dallas, and Yahoo!’s biggest advertisers on this term are Ticket Attractions of DFW, Ticketsnow, and Ticket Solutions, all companies that sell tickets to sporting events and concerts at the American Airlines Center. (Defs’ MSJ App. 0657 (Slottje Decl. ¶ 8); 0437-0438 (Hasse Decl. ¶¶ 2-7).) Obviously, American does not compete with these advertisers for the sale of plane tickets, and consumers who visit “www.ticketsnow.com” when its Sponsor Result displays in response to a search for “American Airlines Center” are not confused as to how to find AA.com.

**3. All Sponsor Results Placed By Authorized Agents Of American Do Not Infringe, As A Matter Of Law**

Sponsor results for Orbitz and other American OTAs are non-infringing for another reason as well. Advertisements placed by American’s OTAs cannot confuse consumers into believing that they are authorized by or affiliated with American Airlines because American’s OTAs are in fact authorized by, and therefore affiliated with, American Airlines. In cases such as *Fetzer*, *Mary Kay*, and *Designer Skin*, the issue is whether an *unauthorized* seller of genuine branded items—Kirby vacuum cleaners, Mary Kay cosmetics, and Designer Skin’s tanning products, respectively—has advertised those items without confusing the public into believing that the unauthorized seller was in fact authorized by the trademark owner. Here, Yahoo!’s case is even stronger because American Airlines has in fact authorized the OTAs to sell its air transport services.

OTAs such as Orbitz book American Airlines travel only with the close cooperation of American Airlines itself. By contract, American Airlines has appointed each of these OTAs as its agent for purposes of booking American Airlines tickets. American grants them full access to

American's inventory of seats, and provides them incentives to book tickets on American.

American advertises on the OTA sites and allows them to use American marks in blast emails to the OTA's email alert subscribers (indeed, when the current director of American's Sales division that manages OTA relationships received a Hotwire email advertising an American fare sale, his concern was not for the use of American's trademarks, but whether American was taking similar steps to advertise its fare sale. (Defs' MSJ App. 0216-0219 (DeCross Depo. at 64:24-67:8.) American does not contend that any OTA that advertised via Sponsor Results was booking bogus, invalid, or unauthorized tickets, or confusing customers as to whether they were purchasing American Airlines tickets or seats on United. Thus, if Orbitz's Sponsor Results leads consumers to believe Orbitz is somehow affiliated with or endorsed by American Airlines, those consumers are correct, not confused. The same is true for any of the large number of OTAs that American has appointed as its agents, all of whom are bound by the ARC Agreement and its amendments.<sup>9</sup>

**4. American Has No Cognizable Evidence of Actual Confusion as to Source, Affiliation, Sponsorship, or Endorsement**

In an attempt to create a triable issue of material fact, Plaintiff may point to expert testimony it intends to offer from a survey expert named Dr. Basil Englis. However, a survey will not preclude summary judgment where, as here, "serious flaws in a survey will make any reliance on that survey unreasonable. . . . Otherwise, any survey, no matter how tendentious, would force the parties to trial." *Fetzer*, 381 F.3d at 488. In *Fetzer*, the Fifth Circuit affirmed

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<sup>9</sup> A non-exhaustive list includes, in addition to Orbitz, Cheaptickets, Travelocity, Expedia, GlobeTravels, AirGorilla, Nbtravel, SmarterTravel, AirlinesWorld, Compareairlineprices, NetTravel, cheapoair, All-cheap-travel, Cheap-airline-tickets, Cheapflights, CheapPricedTickets, Airtkt, Buyairdeals, Executivetravelservice, Globe-travels, Lowestfare, Skyauction, BookAirlineTickets, NextTag, Airdeals, Apoair, Frequentflyerdepot, Priceline, Travelation, Travelnow, Travelzoo, Bookairlinetickets, and Buy-CheapTickets. (Defs' MSJ App. 0235-0251 (RFA Nos. 23-55).)

summary judgment in favor of accused infringers after declining to give any weight to Plaintiff's survey evidence. *Id.*, at 487-88. Following *Fetzer* and exercising its gate-keeping function with regard to expert testimony, *see* Fed. R. Evid. 702, the Court should decline to consider Plaintiff's survey evidence here. *Accord Bank of Tex., v. Commerce Sw., Inc.*, 741 F.2d 785, 789 (5th Cir. 1984) (affirming judgment notwithstanding the verdict for Lanham Act defendant, even though survey evidence purported to support plaintiff's claims).

Dr. Englis examined consumer responses to a test stimulus that imperfectly resembles a single, unusual screenshot of Sponsor Results. Dr. Englis's test stimulus is peculiar in that it includes Sponsor Results for none of the big advertisers that are household names (*e.g.*, Travelocity, Expedia, or Orbitz). In fact, the American Airlines official responsible for American's relationships with the OTAs and MSEs had never heard of even the largest advertiser in Dr. Englis's sample. (Defs' MSJ App. 0047 (Cush Depo. at 9:19-25; 178:18-20); 0008, 0655 (Slottje Decl. ¶ 4).) Because "[c]ontext is especially critical" to assessing confusion, *Fetzer*, 381 F.3d at 485, a survey whose context is so *atypical* is properly disregarded. *See also Sears, Roebuck and Co. v. Menard, Inc.*, No. 01 C 9843, 2003 U.S. Dist. LEXIS 951, \*5 (N.D. Ill. Jan. 22, 2003) (survey evidence that "distort[s] marketplace conditions" or fails to "mirror[] the real world" is properly disregarded) (quoting 3 *McCarthy on Trademarks* § 23:2.1, at 23-13 (4th ed. 2002)); *MasterCard Int'l Inc. v. First Nat'l Bank of Omaha*, No. 02 Civ. 3691 (DLC) 2004 U.S. Dist. LEXIS 2485, at \*29 (S.D.N.Y. Feb. 23, 2004). There is no basis for generalizing from this survey's results to other Sponsor Results that the survey did not test.<sup>10</sup> *See Bank of*

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<sup>10</sup> The problem is more than hypothetical. A survey that considered a more representative Sponsored Search results page, specifically the Yahoo! Sponsored Search around which Plaintiff built its complaint (described in the Facts Section above), found that consumers were not confused by Yahoo! Sponsored Search advertisements that included better known

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*Tex.*, 741 F.2d at 789 (judgment as a matter of law against proponent of a survey, where “survey can not be assumed to be representative”). Thus, no triable issue of material fact prevents this Court from awarding Defendants summary judgment on American’s claims of contributory and vicarious trademark infringement.

**5. American Cannot Establish the Other Elements of Contributory or Vicarious Infringement**

Independent of the fact that Yahoo!’s advertisers do not infringe (as explained above), Yahoo! is not liable for contributory or vicarious infringement because American cannot prove the additional elements necessary to establish contributory or vicarious infringement.

**a. Contributory Infringement**

A party is liable for contributory trademark infringement when it either “intentionally induces another to infringe a trademark” or “continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement.” *Rolex Watch USA, Inc. v. Meece*, 158 F.3d 816, 828 (5th Cir. 1998) (quoting *Inwood Labs. v. Ives Labs.*, 456 U.S. 844, 853-54 (1982)). A finding of contributory infringement is “dependent upon the existence of an act of direct infringement.” *MetroPCS Wireless, Inc. v. Virgin Mobile USA, L.P.*, 2009 U.S. Dist. LEXIS 88527, \*48 (N.D. Tex. Sept. 25, 2009).

Yahoo! has not intentionally induced any of its advertisers to infringe, nor does it continue to provide services to anyone it knows or has reason to know was infringing American’s marks. First, American has not alleged, nor can it show, that Yahoo! intentionally induced third-party advertisers to infringe American’s marks. As described above, Yahoo! directs its advertisers to “not violate the trademark rights of others,” and employs a large

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advertisers such as [www.orbitz.com](http://www.orbitz.com), [www.cheaptickets.com](http://www.cheaptickets.com), and [www.AA.com](http://www.AA.com). See Defs’ MSJ App. 0761-1003 (Decl. of Isabella Cunningham ¶ 5, Exhibit A.)

editorial staff to review advertisements submitted by advertisers to ensure compliance with its trademark policy and editorial guidelines. (*See supra*, Section IV.A.3.) Yahoo!'s actions, policy and guidelines underscore that its intent is for its advertisers to comply with trademark laws.

Second, American cannot show that Yahoo! continued to provide services to third-party advertisers it knew or had reason to know were infringing American's marks. Yahoo!'s trademark policy allows only for "nominative fair use" of a third-party's trademark in advertising. (*See supra*, Section II.D.) To ensure compliance, Yahoo!'s editorial staff regularly reviews newly-submitted advertisements connected to keywords, including those that have been identified as American's marks. (*Id.*) Further, Yahoo! responded to specific trademark complaints brought by American to determine compliance with Yahoo!'s policy. (*Id.*) When Yahoo! has been aware of specific instances where advertisements involving American's marks were not in compliance with Yahoo!'s trademark policy, it has eliminated the non-compliant advertisements. (*Id.*) American may argue that Yahoo! had general knowledge that, in spite of its trademark policy, some third-party advertisers were infringing American's marks. However, even if this is shown to be the case, such generalized knowledge has been held insufficient to make a party contributorily liable. *Tiffany Inc.*, 576 F. Supp. 2d at 508 (finding eBay's "generalized knowledge of trademark infringement on its website" was insufficient to meet the "knowledge or reason to know" prong).

**b. Vicarious Liability**

Vicarious liability for trademark infringement requires "a finding that the defendant and the infringer have an apparent or actual partnership, have authority to bind one another in transactions with third parties or exercise joint ownership or control over the infringing product." *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1150 (7th Cir. 1992);

*Perfect 10, Inc. v. Visa Int'l Serv. Ass'n*, 494 F.3d 788, 808 (9th Cir. 2007). No such relationship between Yahoo! and its advertisers has been alleged.<sup>11</sup>

Nor can American show that such a relationship exists. The evidence shows instead that Yahoo! and its advertisers are not partners, do not have a principal-agent relationship and are not joint owners of anything. The agreement that governs Yahoo!'s relationship with its advertisers expressly provides that the parties are "independent contractors," and nothing in the agreement "will be construed to create, evidence, or imply any agency, employment, partnership, or joint venture" between them. (Defs' MSJ App. 0296-0313 (Pann Decl., Ex. B).) Because American cannot demonstrate that the requisite relationship exists between Yahoo! and the third-party advertisers, its claim for vicarious trademark infringement fails as a matter of law.

**C. Yahoo! Has Not Diluted American's Marks**

Plaintiff's trademark dilution claims fail as a matter of law for the same reason its infringement claims fail—because the accused advertisements make nominative fair use of American's marks. The Lanham Act provides a cause of action against a party that "blurs" or

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<sup>11</sup> American alleges instead that Yahoo! is vicariously liable because it has the "right and ability to control the use" of the American's marks in its search engine-based advertising programs (FAC ¶ 113) and receives a "direct financial benefit from...third-party advertisers' unauthorized use" of the marks (FAC ¶ 116.) American appears to be relying on the vicarious liability standard applied in copyright cases. See *MGM Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005) (vicarious liability requires a showing that the defendant has a right and ability to supervise the direct infringer and profits directly from the infringement); *Arista Records LLC v. Greubel*, 453 F. Supp. 2d 961, 971 (N.D. Tex. 2006) (same). This is not the standard in trademark infringement cases. Indeed, the Supreme Court has recognized that there are "fundamental differences between copyright law and trademark law" that would make it inappropriate to apply a secondary liability standard crafted for application in copyright cases to a trademark case. See *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 439 n.19 (1984) (secondary liability for trademark infringement should be more narrowly drawn than secondary liability for copyright infringement); *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1150 (7th Cir. 1992) (declining to apply the "more expansive" doctrine of vicarious liability applicable to copyright violations in a trademark infringement case).

“tarnishes” a trademark-holder’s mark by using the mark to identify *their own, different goods*. *Pebble Beach*, 155 F.3d at 552; *Fetzer*, 381 F.3d at 490. Here, Yahoo!’s advertisers used American’s marks, not to name their own, different, goods or services, but to name *American’s*. Thus, dilution is simply not at issue.

“‘[D]ilution by tarnishment’ is association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark.” 15 U.S.C. § 1125 (c)(2)(C). In *Fetzer*, the Fifth Circuit explained why this theory did not apply to nominative fair use: “Under [the plaintiff’s] theory, any rusted-out Impala ‘for sale’ on blocks in a front yard would give rise to a cause of action for diluting the CHEVROLET mark. We refuse to encourage anti-dilution law to metastasize in this manner.” 381 F.3d at 490. Similarly, advertisements that refer to American Airlines travel will not tarnish the American marks even if they lead customers to purchase American tickets through what American now regards as an inferior website.

For similar reasons, American also cannot prevail under a theory of dilution by blurring. “Blurring involves a diminution in the uniqueness or individuality of a mark because of its use on *unrelated goods*,” *Id.* at 489 (citation omitted) (emphasis added), whereas the “goods” advertised here are American’s own. *See also Tiffany*, 576 F. Supp.2d at 524-525.

In fact “nominative fair use” is specifically excluded from the Lanham Act’s definition of dilution: “The following shall not be actionable as dilution by blurring or dilution by tarnishment under this subsection: (a) Any fair use, including a nominative or descriptive fair use, or facilitation of such fair use . . . .” 15 U.S.C. § 1125(c)(3)(A). *See also Playboy Enters. v. Welles*, 279 F.3d 796, 806 (9th Cir. 2002) (“A nominative use, by definition, refers to the trademark holder’s product. It does not create an improper association in consumers’ minds



between a new product and the trademark holder's mark.”). Thus, American's dilution claim fails as a matter of law.

**D. Plaintiff's State Law Claims Also Fail**

**1. Trademark Infringement and Unfair Competition**

Texas common law recognizes causes of action for trademark infringement and unfair competition, but the issues these claims present are decided under the same standard applied by federal courts construing the Lanham Act. *See Zapata Corp. v. Zapata Trading Intl, Inc.*, 841 S.W.2d 45, 47 (Tex. App. 1992); *Elvis Presley Enters. v. Capece*, 141 F.3d 188, 193 (5th Cir. 1998); *Chevron Chem. Co. v. Voluntary Purchasing Groups, Inc.*, 659 F.2d 695, 706 (5th Cir. 1981). In particular, the doctrine of nominative fair use is equally available in a Texas common-law claim for trademark infringement and unfair competition, and the proof necessary is identical to that required by the federal courts. *See Fetzer*, 381 F.3d at 483-84; *Mary Kay*, 601 F. Supp. 2d at 855. Thus, for the reasons set forth in Section IV.A-B above, Plaintiff's pendant claims for trademark infringement and unfair competition fail as a matter of law.

**2. Trademark Dilution**

American alleges that its common law trademark rights have been diluted in violation of the Texas Anti-Dilution Statute. (FAC at ¶ 37.) That statute, Section 16.29 of the Texas Business and Commerce Code, allows the owner of a distinctive mark to obtain an injunction if there is a likelihood of dilution. However, Texas law follows federal law in holding that, “[a]s a matter of law there can be no blurring or tarnishment under section 16.29 where a retailer has resold the mark owner's genuine products.” *John Paul Mitchell v. Randalls Food Mkts.*, 17 S.W.3d 721, 736 (Tex. App. - Austin 2000, pet. denied) (citing *Pebble Beach Co.*, 155 F.3d at 545 n.12).

Plaintiff's state law dilution claim must fail as a matter of law because Yahoo! has not used American's marks on Yahoo!'s own products. *See id.*, at 736-37. Yahoo! has only offered search keywords to entities that were actually selling or advertising American's genuine products.

### 3. Misappropriation

Plaintiff alleges that Yahoo! uses American's marks to compete with American, thereby gaining an unfair advantage and a "free ride" in such competition. (FAC ¶ 153.) Plaintiff thus invokes the doctrine of common-law misappropriation, which is a branch of the tort of unfair competition. *Universal City Studios, Inc. v. Kamar Indus., Inc.*, No. H-82-2377, 1982 U.S. Dist. LEXIS 15942, \*17 (S.D. Tex. Sept. 20, 1982) (citing *Int'l News Serv. v. Assoc. Press*, 248 U.S. 215 (1918)).

Plaintiff's misappropriation claim fails with its claims for trademark infringement and unfair competition. Texas courts have recognized that when a claim for misappropriation is brought in connection with trademark infringement and unfair competition claims, where those claims fail, the claim for misappropriation of marks necessarily also fails. *Fetzer*, 381 F.3d at 481; *Conan Props., Inc. v. Conan Pizza, Inc.*, 752 F.2d 145, 156 (5th Cir. 1985).

### 4. Tortious Interference with Contract

To succeed on its claim of tortious interference with contract under Texas law, American must demonstrate the existence of a contract, Yahoo!'s willful and intentional interference with that contract, and that the interference proximately caused actual damage or loss to American. *See ACS Investors v. McLaughlin*, 943 S.W.2d 426, 430 (Tex. 1997). Here Yahoo! did not tortiously interfere with any of American's contracts because it did not induce any third party to violate any right or duty to American.

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To prevail on this claim, American must establish that Yahoo! was aware of the contract and its relevant terms and that Yahoo! *knowingly induced* one of the contracting parties to breach its obligations to the other. See *John Paul Mitchell*, 17 S.W.3d at 730. That is, American must show that Yahoo! “took an active part in persuading a party to a contract to breach it.” *Id.* (citing *Davis v. HydPro, Inc.*, 839 S.W.2d 137, 139 (Tex. App., writ denied)) (emphasis in original). Merely offering to enter into a transaction with someone who is willing to break a contract is insufficient to show actionable interference. *Mary Kay*, 601 F. Supp. 2d at 862-63. Rather, the evidence must demonstrate an effort to exert some influence over the third party as they make a decision whether or not to breach their contract. *Id.* at 863.

In *John Paul Mitchell*, for example, a case involving allegations of trademark infringement and tortious interference, a jury found that the defendant, Jade Drug Company, had tortiously interfered with Paul Mitchell’s exclusive distribution contracts by buying Paul Mitchell’s products from authorized distributors and selling them to retail stores. 17 S.W.3d at 730. At trial, Jade’s president testified that Jade, who was not an authorized distributor, knew Paul Mitchell had exclusive distribution contracts with various distributors to sell its products only through salons. *Id.* He also testified that Jade knew authorized distributors were probably breaching their exclusive distribution contracts by selling Paul Mitchell’s products to Jade. *Id.* This testimony notwithstanding, the court held that this evidence was insufficient to demonstrate that Jade “induced” anyone to breach its exclusive agreement with Paul Mitchell. *Id.* at 731. The court held that if one of the authorized distributors breached its agreement with Paul Mitchell of its “own volition,” Jade’s “mere participation” in the transaction did not constitute the “knowing inducement” required by Texas law. *Id.* (emphasis added).

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Here, there is no evidence that Yahoo! was anything other than a passive beneficiary of third parties' decisions to breach their contracts with American (if indeed breach occurred). For example, there is no evidence that Yahoo! aggressively targeted its advertising services to American's contracted resellers after American adopted the 2006 ARC Addendum. Alice Curry, the American executive who was a manager in AA.com when the ARC Addendum became effective, could not identify any Yahoo! employee who purportedly advised any OTA not to comply with the ARC Addendum. (Defs' MSJ App. 1008 (9/29 Curry Depo. at 174:8-14).) Nor could Chris DeGroot, the executive who ran the distribution strategy group when the ARC Addendum became effective. (Defs' MSJ App. 0201 (DeGroot Depo. at 229:5-15).) In fact, Ms. Curry testified that Yahoo! employees provided helpful information to AA.com. (Defs' MSJ App. 1009-1010 (9/29 Curry Depo. at 175:14-176:11).)

Moreover, American cannot show that Yahoo! knew which advertisers were parties to the 2006 ARC Addendum with American Airlines. *See Amigo Broad., LP v. Spanish Broad. Sys.*, 521 F.3d 472, 490 (5th Cir. 2008) (plaintiff must also prove that defendant had "actual knowledge of the contract or business relation in question, or knowledge of facts and circumstances that would lead a reasonable person to believe in the existence of the contract or business relationship"). Some of the largest advertisers did not accede to the terms of the ARC Addendum until later in 2007. (Defs' MSJ App. 0118-0119 (6/4 Curry Depo. at 226:10-227:11).) Yahoo! cannot have tortiously interfered with a contract, when it did not even know that the contract was in place, or what obligations it imposed on whom.

Because American cannot prove intentional interference, its tortious interference claim must fail as a matter of law.

**5. Money Had and Received**

Money had and received is an equitable doctrine applied to prevent unjust enrichment when one party obtains money that in equity and good conscience belongs to another. *Everett v. TK-Taito, L.L.C.*, 178 S.W.3d 844, 860 (Tex. App. – Fort Worth, pet. denied 2005). The claim of money had and received seeks to prevent unconscionable loss to the payor and unjust enrichment to the payee. *Edwards v. Mid-Continent Office Distribs., L.P.*, 252 S.W.3d 833, 837 (Tex. App. 2008). Where a payment was made voluntarily with full knowledge of the facts and without fraud, deception, duress, or compulsion, the money cannot be recovered back merely because the party was mistaken about the law at the time of the payment. *See BMG Direct Mktg., Inc. v. Peake*, 178 S.W.3d 763, 768 (Tex. 2005).

American alleges that it is entitled to recover any money Yahoo! has obtained from third-party advertisers or from American Airlines as a result of keyword advertising using American's marks. (FAC ¶¶ 166-169.) As established previously, Yahoo! has not infringed American's rights by permitting those who sell American Airlines flights or carry American Airlines flight information to advertise using American's marks. Thus, there is no injustice here requiring equitable relief.

Even if Plaintiff were able to succeed on its trademark claims, however, it would not be entitled to monetary relief under this cause of action. American voluntarily and with full knowledge paid Yahoo! to advertise using American's marks. There is no evidence Yahoo! employed duress, fraud, or coercion to convince American to advertise with Yahoo!. American cannot show that Yahoo! is holding money or property which, in equity or good conscience, belongs to American because American did not overpay on its own account. It got the advertising for which it paid. Similarly, American has no claim on moneys paid to Yahoo! by third parties. The money that third-party advertisers paid Yahoo! *would not have otherwise been*

*paid to American* because American does not operate a web-based search engine that sells advertisements. Finally, if there has been trademark infringement American has an adequate remedy at law, which weighs against awarding equitable relief.

For these reasons, Plaintiff's claim for money had and received fails as a matter of law.

**E. In The Alternative, This Court Should Grant Summary Adjudication That Neither Damages Nor Other Monetary Relief Is Available In This Action**

Yahoo! believes it is entitled to summary judgment for the reasons set forth above. If the Court determines, however, that summary judgment is not appropriate, Yahoo! requests summary adjudication that monetary relief (including damages) is unavailable in this action.

There are at least four reasons for the Court so to conclude.

**1. The Lanham Act's Safe Harbor Protects Yahoo! from Any Award of Damages for Infringement or False Representation**

Yahoo! does not infringe American's trademarks, directly or indirectly, but even if it did it would be at worst an innocent infringer, protected by the safe harbor that 15 U.S.C.

§ 1114(2)(B) provides for Internet intermediaries. Damages are not available against Yahoo! under this safe harbor.

Section 1114(2)(B) states that the remedies available against the distributor of "paid advertising matter . . . in an electronic communication . . . shall be limited to an injunction against the presentation of such advertising matter . . . in future transmissions of such electronic communications."<sup>12</sup> The sponsored search advertisements that Yahoo! displays are clearly

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<sup>12</sup> The provision states in full:

Where the infringement or violation complained of is contained in or is part of paid advertising matter in a newspaper, magazine, or other similar periodical or in an electronic communication as defined in section 2510 (12) of title 18, the remedies of the owner of the right infringed or person bringing the action under section 1125 (a) of this title as against the publisher or distributor of such newspaper, magazine, or other similar periodical or electronic communication shall be limited to an injunction against the

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“electronic communications.” The statutory definition of “electronic communications,” adopted from 18 U.S.C. § 2510(12), “precisely describes the typical commercial Internet website . . . .” *Gucci Am., Inc. v. Hall & Assocs.*, 135 F. Supp.2d 409, 420 (S.D.N.Y. 2001) (citation omitted).

One additional aspect of Section 1114’s safe harbor is that Yahoo! must be an “innocent infringer,” 15 U.S.C. § 1114(2)(B), and Yahoo! meets this test as a matter of law. The distributor of another’s Internet advertising is an innocent infringer where its conduct is objectively reasonable. *Dial One of the Mid-South, Inc. v. BellSouth Telcomms., Inc.*, 269 F.3d 523, 526 (5th Cir. 2001). Here, Yahoo!’s actions (as well as its trademark policies and editorial guidelines) were objectively reasonable. Yahoo!’s policy is in at least one important respect more stringent than the policy or policies of its main competitor. Yahoo!’s policy allows its advertisers to use trademarks only when doing so is consistent with the law, and the law does not make unrealistic demands on Yahoo! to monitor compliance with this policy. In particular, Yahoo! is not required to monitor advertisements for infringement where there have been no complaints from a markholder. *See Hendrickson v. eBay, Inc.*, 165 F. Supp.2d 1082, 1095 (C.D. Cal. 2001) (refusing to enjoin eBay from displaying advertisements because it “would effectively require eBay to monitor the millions of new advertisements posted on its website each day” and “no law currently imposes an affirmative duty on companies such as eBay to engage in such monitoring”). Before American raised its concerns with Yahoo!, Yahoo! was protected by this legal principle.

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presentation of such advertising matter in future issues of such newspapers, magazines, or other similar periodicals or in future transmissions of such electronic communications. The limitations of this subparagraph shall apply only to innocent infringers and innocent violators.

15 U.S.C. § 1114(2)(B).

After American complained to Yahoo! that certain sponsored search advertising infringed its marks, Yahoo! remained an innocent infringer because of the actions it took. Applying its trademark policy, Yahoo! began reviewing advertisements that used American's marks as keywords to make sure that advertisements complied with Yahoo!'s trademark policy and thus with trademark law. (*See supra*, Section IV.A.3.). Yahoo!'s actions were thus objectively reasonable.

In sum, Yahoo! is an innocent infringer (if any infringement occurred) because it had no duty to monitor advertisement in the absence of a complaint from American and it reacted reasonably once a complaint was lodged. Thus, Section 1114(2)(b) shields Yahoo! from any award of damages (or other monetary relief) in this case.

**2. The Trademark Dilution Reform Act Protects Yahoo! From Any Award of Damages for Dilution**

To recover monetary damages for dilution under the Lanham Act, American must prove not just a likelihood of dilution but *actual* dilution because use of the allegedly diluting marks began before October 6, 2006. The Trademark Dilution Reform Act ("TDRA") allows a plaintiff to recover damages upon proof of a "likelihood of dilution" only if the diluting mark was first introduced in commerce after October 6, 2006. *See* 15 U.S.C. § 1125(c)(5); *Tiffany*, 576 F. Supp.2d at 523. Here, the Yahoo! conduct that American challenges began before October 6, 2006. Because American has no proof of actual dilution as required under the prior statute, American cannot obtain monetary relief on its dilution theory. *See also Univ. of Kan. v. Sinks*, 2008 U.S. Dist. LEXIS 97787, at \*7 (D. Kan. Dec. 1, 2008).

**3. American's Acquiescence in the Marketing Practices of Yahoo!'s Advertisers Prevents Recovery In This Action**

Independent of these statutory bars on any recovery of damages, Yahoo! is entitled to summary adjudication that the affirmative defense of acquiescence bars any recovery for



damages here. American actively participated in other companies' marketing of its products on their websites, and in so doing acquiesced in their use of American's trademark to advertise those products. Having acquiesced, American cannot now seek damages for past infringement.

"In order to establish the defense of acquiescence, a defendant must prove that: (1) the plaintiff knew or should have known of the defendant's use of the trademark; (2) the plaintiff made implicit or explicit assurances to the defendant; and (3) the defendants relied on the assurances." *Bd. of Regents, v. KST Electric, Ltd.*, 550 F. Supp. 2d 657, 664-65 (W.D. Tex. 2008) (citation omitted); *see also Coach House Restaurant, Inc. v. Coach & Six Restaurants, Inc.*, 934 F.2d 1551, 1563 (11th Cir. 1991).

All three elements are met in this case. American was bidding on these keywords back in 2001 (*see* Defs' MSJ App. 1014-1057 (AAG-00204838-00204881)), and had only to execute a Yahoo! search on "American Airlines" to determine who else was doing so. American also made implicit assurances to its marketing partners, empowering and encouraging them to market American Airlines travel without asking that they refrain from keyword advertising. *See, e.g.*, Defs' MSJ App. 0252-0254 (RFA Nos. 58, 65 and 72). Yahoo!'s advertisers then relied on those implicit assurances, purchasing the keyword advertising at issue here.

Courts have used the defense of acquiescence to prevent recovery for trademark infringement when the mark holder had previously been involved in the distribution of the allegedly infringing articles. *See, e.g., Artcraft Novelties Corp. v. Baxter Lane Co.*, 685 F.2d 988, 991 (5th Cir. 1982) (because defendant had acquiesced in plaintiff's use of "Texas Housefly" and "Texas Fly Swatter" marks for plaintiff's own products, the defendant distributor could not "now object to any confusion caused by plaintiff's sales of" the allegedly infringing goods); *Westinghouse Elec. Corp. v. Gen. Circuit Breaker & Elec. Supply Inc.*, 106 F.3d 894

(9th Cir. 1997) (“[D]efendants escaped liability . . . because they proved Westinghouse knew or should have known they were using the Westinghouse trademark. . . .” in distributing reconditioned circuit breakers, and Westinghouse had itself purchased and resold defendant’s reconditioned circuit breakers); *Getty Petroleum Corp. v. Shore Line Oil Co.*, 642 F. Supp. 203, 206 (E.D.N.Y. 1986) (“[W]here the owner of the trademark has participated by its acquiescence in deceiving the public into believing that the source of goods is that of the owner of the trademark, enforcement of its right[s] . . . should be denied.”). Similarly here, where American could have but did not put a stop to the accused sales years earlier, American cannot now be heard to complain of its alleged losses.

**4. American Is Entitled to No Award of Damages Because Its Lost Profits Theory Rests On Bald Speculation Masquerading as Fact**

American is not entitled to an award of damages because its lost profits analysis (1) turns on a theory of causation that blames Yahoo! for American’s own acts, and (2) rests on an inherently speculative foundation.

An award of lost profits requires proof of actual damages and “a causal connection between the infringement and the lost profits.” *Oiness v. Walgreen Co.*, 88 F.3d 1025, 1029 (Fed. Cir. 1996). American’s lost profits theory lacks this causal connection because it seeks to hold Yahoo! liable for the consequences of American’s decisions. Because OTAs reach Internet users, American chose to empower large numbers of these businesses to book tickets on American Airlines. It appointed them its agents, encouraged them to sell as many tickets as possible, offered incentives to do so, and did not tell them before 2006 not to use American Airlines marks in their Yahoo! Sponsored Search advertising. (*See supra*, II.A.) Thus it is American who caused any losses it suffered as a result of Sponsored Search advertising by its own agents. American caused the OTAs to market American Airlines travel, and American

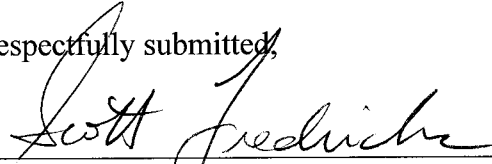
controlled the terms and conditions under which they did so. If the OTAs' marketing strategy for American Airlines tickets caused American to lose profits, then American has only itself to blame.

American's lost profits theory also fails because it rests on an premise for which American has no evidence. American assumes that consumers searching for information about "American Airlines" must always and only be looking for the website AA.com. American provides no support for this "100% intent" assumption. Indeed, the assumption is directly contrary to the "pricing transparency" on the Internet that American has cited in its filings with the United States Securities and Exchange Commission as a reason its pricing power has declined: people surf the Internet to find the flight and price that are the best for their travel needs and budget. (Defs' MSJ App. 0439, 0449-0648 (Hasse Decl., ¶¶ 10-11, Ex. E-F).) American is also well aware of industry research showing that the average person visits three to five different websites in the course of shopping for travel. (Defs' MSJ App. 0096-0097 (6/4 Curry Depo. at 89:16-90:5).) Lacking probative evidentiary support for a key assumption, American's damages theory must fail. *Oiness*, 88 F.3d at 1030 (lost profits unavailable as a matter of law where claim rests on unsupported assumptions); *Roehrs v. Conesys, Inc.*, No. 3:05-CV-829-M, 2007 U.S. Dist. LEXIS 53712, at \*26 (N.D. Tex. July 25, 2007), *aff'd in unpublished decision*, 2009 U.S. App. LEXIS 12093 (5th Cir. June 4, 2009) (same).

## V. CONCLUSION

Because its Sponsored Search program makes nominative fair use of American Airlines' marks, Yahoo! respectively requests that this Court grant summary judgment against American Airlines on all claims. In the alternative, Yahoo! seeks summary adjudication that it must pay no damages or other monetary award to American Airlines in this action.

Respectfully submitted,



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**CERTIFICATE OF SERVICE**

I certify that a true and correct copy of the foregoing was served on Defendants' counsel, as indicated below, on the ~~27<sup>th</sup>~~<sub>30<sup>th</sup></sub> day of October 2009:

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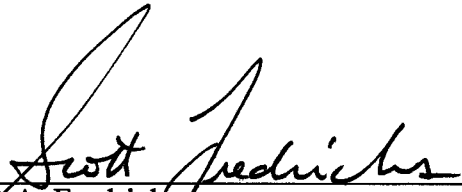
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